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ABSTRACT

This document, which is intended for work force and workplace development providers, examines ways of reducing the costs of developing and delivering training to small and midsized companies. Listed first are the following strategies for cutting service costs: split the provider's development costs by delivering the same services to a number of companies; share the provider's delivery costs by delivering services to multiple companies at the same time; cut travel costs by having the provider deliver services from one location convenient to it and the companies receive the services in a different location convenient to them; subsidize service costs with government payments, outside grants, or contributions; make the services more efficient; and make the services more productive. The remainder of the document is devoted to discussions of the following cost-effective service delivery strategies: learning consortia; walk-in centers; distance learning; computer-based training; and trained volunteers. It examines the benefits and drawbacks of five cost-effective strategies for delivering training, along with ways of ameliorating the drawbacks. Names/addresses and brief descriptions of programs using the consortium, walk-in center, and computer-based training approaches are included. (MN)

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NATIONAL WORKFORCE ASSISTANCE COLLABORATIVE

BUSINESS ASSISTANCE NOTE #4

PREPARED BY THE NATIONAL ALLIANCE OF BUSINESS

Delivering Cost Effective Services to Small and Mid-Sized Companies

Cost Effective Strategies

- ✔ Learning consortia
- ✔ Walk-in centers
- ✔ Distance learning
- ✔ Computer-based training
- ✔ Trained volunteers

Delivering cost effective services to small and mid-sized companies requires finding a balance between quality and cost – that is, between providing the best, most appropriate services possible, and adopting methods that will enable prices to fall within a range smaller companies can afford. This balancing act is essential whether a provider is offering training, management consulting, or technology assistance.

The key to delivering cost effective services is to place equal importance on both "cost" and "effectiveness." The goal is not to provide the least expensive services possible, but to provide the least expensive services *per unit value*, e.g., knowledge gained, skills acquired, productivity increased, quality improved, profit raised – whatever metric is relevant for the service being provided.

How can service costs be reduced? There are six key methods:

1. Delivering the same services to a number of companies so that the companies effectively split the provider's *development* costs.

2. Delivering services to multiple companies at the same time so that the companies share the provider's *delivery* costs.

3. Having the provider deliver services from one location convenient to it, and the company(ies) receive the services in a different location convenient to it (them), in order to reduce *travel* costs for all involved.

4. Subsidizing the cost of services with government payments, outside grants, or contributions (cash or in-kind).

5. Making the services more efficient so that the provider's *development* and *delivery* costs and companies' *participation* costs are reduced.

6. Making the services more productive so that the provider's *delivery* time and companies' *participation* time is reduced.

But cost, as mentioned earlier, is only half of the equation. The other half is effectiveness. Most of the six strategies for reducing costs can have a negative impact on service effectiveness. Services can be designed, however, in ways to ameliorate the negative impacts. This *Business Assistance Note* explores five service delivery strategies that can be both low in cost and high in effectiveness:

- ❑ Learning consortia,
- ❑ Walk-in centers,
- ❑ Distance learning,
- ❑ Computer-based training, and
- ❑ Trained volunteers.

This *Business Assistance Note* was developed from the National Workforce Assistance Collaborative publication *Delivering Cost Effective Services to Small and Mid-Sized Companies: A Guide for Workforce and Workplace Development Providers*, published by the National Alliance of Business. Information on obtaining *Delivering Cost Effective Services* can be found at the end of this note.

Learning Consortia

In general, a learning consortium is a group of companies that come together to learn from each other in order to develop new capabilities, build the skills of their employees, and increase the productive capacities of their enterprises. This learning can be targeted at the work*force* (building employees' skills) or the work*place* (improving company productivity and efficiency).[1]

Learning consortia are cost effective because the same services are provided to more than one company, usually at the same time. This spreads the costs of both development and delivery over a number of companies. Member companies may jointly contract for services, jointly develop services, or share their own existing services, usually training, with other members. Over time, they may build a library of resources all members can access.

There are a number of benefits from providing services through consortia beyond reducing costs. The process of working together as a group and learning cooperatively is extremely powerful. Members can share problems, solutions, and ideas with each other, thereby reducing the number of mistakes they make and shortening their learning curves.

Consortium members can expand their access to resources by sharing curricula, facilities, and service providers or trainers. By combining their resources, members might also be able to research and design new programs that they could not develop on their own. With the leverage members gain by being part of a group, they can persuade providers to tailor services to meet their needs.

Many of the drawbacks associated with consortia stem from the fact that a great deal of the services provided are delivered to multi-

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ple companies at the same time. This makes it difficult to customize services to company needs, provide individualized attention, support recipients as they try to practice new techniques on the job, or deliver services precisely when they are needed by companies. In addition the up-front costs associated with forming consortia can be very large, and the ongoing costs of maintaining consortia can be challenging for both the providers and the companies.

These drawbacks can be ameliorated. Keys to success involve

- ✔ Providing individualized as well as group services.
- ✔ Assessing companies' needs and helping them create their own development plans.
- ✔ Assessing employees' needs and creating individualized workplans.
- ✔ Incorporating individual companies' materials into training exercises.
- ✔ Using a variety of instructional techniques to meet varied learning styles.

Consortium for Supplier Training

The Consortium for Supplier Training is an association of seven large companies – Bayer Corporation, Chrysler Corporation, Eastman Kodak Company, Motorola, Texas Instruments, Texaco, Inc., and Xerox Corporation – that make training courses in Total Quality and performance improvement available to their suppliers and other companies through a network of member-sponsored supplier training centers (STCs - community colleges, universities, or technical schools with active industrial outreach programs).

The Consortium/STC relationship benefits small and mid-sized companies by: 1) reducing the number of separate, customer quality training programs in which they have to participate, because the large-company customers have agreed on a single, common training program; 2) having the training/course *development* costs borne by Consortium member companies; and 3) enabling the smaller companies to share the costs of training *delivery* with other businesses and individuals participating in the training. **Contact: Patti Glenn, Texas Instruments, 800/882-6638.**

Walk-In Centers

Walk-in centers are permanent facilities, open at established hours, where companies and individuals can come in for services, when they need assistance, and at their convenience. The centers are self-contained sites, where materials, equipment, and individuals are available and ready to meet client needs.

Walk-in centers can keep costs low by providing the same services to multiple clients, thus spreading the costs of development and delivery over a number of companies. Some walk-in centers keep costs down by being more *efficient*. These centers may bring a number of related services together at one site where the services can share resources and overhead costs. Because walk-in centers do not have to train an entire classroom of individuals at the same time, they can stock and purchase fewer pieces of training equipment. They can also tailor instruction to companies' and individuals' needs and charge clients only for the specific skills required and mastered by employees.

The greatest benefit of walk-in centers is their provision of "just-in-time" services. Clients get the assistance they need when they need it. Learning in these centers also tends to be active and hands-on, a boon for retention.

The greatest drawback of these programs is that they frequently provide prepackaged services, with no customization to either companies or individuals. In addition, clients generally receive no assistance in applying new skills or techniques on the job – service stops at the center door.

Regional Manufacturing Technology Center

Kellogg Community College provides individualized, self-paced, instructor-directed training in the industrial trades at its state-of-the art Regional Manufacturing Technology Center. Students can visit the Center anytime it is open to work on the instructional modules they need. The Center's industrial trades faculty are always on hand to provide students with one-on-one instruction as they work.

Kellogg has successfully broken down its traditional industrial trades training classes into approximately 800 constituent skills. Because the curriculum is broken down into individual skills, each requiring from two to five hours to master, companies and students can tailor their course work to very specific workplace needs. The Center's director helps companies create customized training programs from the available skills. Since Kellogg only charges companies for skills that are mastered, not for seat time, training dollars are not wasted on ineffective programs. **Contact: Dennis Bona, Regional Manufacturing Technology Center, 616/965-4137 x2800.**

In walk-in centers, clients *can* receive one-on-one instruction from providers, or they may shy away from asking for assistance and have little or no direct interaction with the provider. Clients *might* have access to highly skilled instructors in the fields they are studying, or they may find the center staffed with instructors responsible for covering a variety of subjects, in which their level of expertise varies.

Again, drawbacks can be ameliorated. Keys to success involve

- ✔ Assessing companies and individuals, and targeting training to specific needs.
- ✔ Preparing on-site instructors to provide assistance on every topic covered in the center.

Distance Learning

The most all-encompassing definition of distance learning might be: "Training programs in which the instructor and students do not share the same physical space." This broad definition would include educational techniques ranging from books, audiotapes, videotapes, computer-based training programs, correspondence courses, telecourses, and Internet courses to audioconferences, videoconferences, and docuconferences (people collaborating on shared documents via computers).

The most obvious way distance learning cuts costs is by reducing the time and other expenses associated with travel – for the provider and/or the recipients. Additionally, many distance learning efforts involve sharing the same materials with multiple recipients (which spreads out development costs), possibly at the same time (which spreads out delivery costs).

Distance courses do not have to be put

together as marathon cram sessions: they can be broken up into reasonable modules and delivered over longer periods of time. Because there is no need to worry about coordinating participants' travel schedules, new classes can be put on line relatively quickly. And since the provider does not have to bring all of the recipients back to one site, follow-up classes can be put together more easily.

Linking up individuals across distances creates "virtual classmates" who can interact and share ideas. Some distance learning techniques provide participants with the opportunity to have information repeated as often as needed. Distance learning programs can afford access to the most skilled providers in the world. Much distance learning lets students control the schedule of delivery, increasing the likelihood that instruction will take place when it is needed.

Of course distance learning has its drawbacks. Having instructors and students in different locations can limit the interaction between them. This problem is compounded when an instructor is teaching large numbers of students. One of the most critical differences among different distance learning techniques is the degree of students' access to, and communication with, instructors. This can range from limited or no access, to delayed access, to instantaneous access.

Instructors reaching out to very diverse participants cannot customize materials to companies' or individuals' needs. Because instructors are not on site with the students, it is difficult for them to help the students practice new skills on the job.

While travel costs associated with distance learning programs can be much lower, design, delivery, and support costs can be much higher. Most of the more interactive distance learning techniques require a considerable up-front investment in technology. Video broadcasts tend to amplify poor teaching techniques. Instructors will need training (technical and instructional) to use technology effectively, and a wide variety of support staff will need to be prepared for their new responsibilities. In addition, most people suggest that it will also take instructors, and support personnel, more time to prepare and support distance learning programs than traditional classes.

Distance learning *technology* is definitely a two-edged sword. On the one hand it opens up myriad possibilities for new and creative instruction. On the other hand it can overwhelm the instruction, with both the instructor and the students paying more attention to the media than the message. It can also fail. Computers crash. Internet and satellite links break off. Broadcasts delivered over cables can ghost or jump, and with some types of cable there is an audio delay.

Keys to successfully ameliorating drawbacks associated with distance learning are

- ✔ Making sure the number of program participants justifies the high up-front development costs.
- ✔ Preparing instructors and support staff to use the media effectively.
- ✔ Using techniques to provide individualized assistance to participants – companies and their employees.
- ✔ Encouraging *active* involvement on the part of participants.
- ✔ Building variety into the program delivery.

San Diego Community College District Workplace Learning Program

The San Diego Community College District Workplace Learning Program, along with several other California community colleges, is using a common "authoring system" to develop customized computer-based training (CBT) programs for its business clients. The modules developed through this program will be disseminated from a statewide CBT library for other community colleges to use or adapt.

As the San Diego Workplace Learning library of computer-based training programs is built up, program development costs should decline. Because the CBT developers will be able to draw on existing programs customized for different industries, occupations, and companies, the amount of new development they will have to do for each new business they serve will be reduced. **Contact: Robin Carvajal or Marian Thacher, San Diego Community College District, 619/221-6956.**

Computer-Based Training

Computer-based training is any training that uses a computer as the focal point for instructional delivery. With computer-based training, the computer provides training by serving as an electronic teacher or mentor. Computer-based training could easily be considered a form of distance learning, but because of its relatively wide-spread use and its unique attributes, it merits a separate discussion here.[3]

Computer-based training can be very cost effective if it is used with a large number of individuals. The development costs for computer-based training are much higher than for traditional training, but delivery costs are much lower. The delivery costs can be virtually zero for a provider that just hands over a computer-based training package. For providers that also offer some instructional support, delivery costs are reduced because they can serve more recipients at the same time.

Companies' participation costs are lower as well. Computer-based instruction requires less training time than instructor-led training. This greater productivity is generally attributed to tighter instructional design, the option for participants to bypass content they do not need, and the opportunity for participants to focus on those sections of a course they have not yet mastered.[3]

In addition to being cost effective, computer-based training offers several advantages over other forms of training, including

- ❑ Active engagement of the learner.
- ❑ Focus on only those skills trainees need to learn.
- ❑ Immediate feedback.
- ❑ Unlimited practice opportunities.
- ❑ Consistent, reliable instruction, and
- ❑ Flexible delivery schedule.

There is very strong evidence that computer-based instruction results in an equal or higher quality of learning over traditional instruction.[4] If the training is particularly content dense (many new concepts presented close together) or utilizes a hierarchy of skill acquisition (where current concept mastery is dependent on mastery of earlier concepts), computer-based training's integration of text, sound, graphics, and video facilitates the learning process and the retention of new knowledge.

There are two major drawbacks to computer-based training: 1) it frequently is

not adequately customized to company needs, and 2) it may not provide individuals with the personalized attention they need. In addition, because development costs are higher for computer-based training, it is only cost effective if it is used by a large number of individuals.

Ameliorating the drawbacks to computer-based training involve

- ✔ Making sure the number of program participants justifies the up-front development costs.
- ✔ Customizing programs to company and individual needs and contexts.
- ✔ Providing live instructional options to back up computerized instruction.

Trained Volunteers

In most instances, trained volunteers are used to *supplement* the work of paid professionals. These volunteers usually provide one-on-one or small group tutoring to students who have missed classes, are having trouble grasping particular concepts, or started training with lower skills than their peers. It is becoming more common, however, for trained volunteers to be the primary, or sole, instructional provider in workplace settings.

Using trained volunteers reduces the cost of services by subsidizing them. One of the major components of cost – salaries – is eliminated for volunteer staff. However, the use of volunteers is not free, as costs must still be paid for the training, support, and administration of volunteer services.

Because the volunteers usually provide one-on-one tutoring, they can furnish participants with completely individualized assistance. This assistance involves continuous interaction between the volunteer and the student, entails active participation on the part of the student, and can be provided on an "as needed" basis. Because the volunteers work so closely with the students, they are also in a position to help the students apply their new skills to their jobs.

The main drawback to this method of delivery is obvious: it frequently relies on nonprofessionals to deliver services (though it may use retired professionals), potentially lowering the quality of services clients receive.

Keys to successfully using trained volunteers are

- ✔ Training volunteers thoroughly.
- ✔ Providing instructional support to volunteers while they are working.

Conclusion

The five delivery strategies discussed in this note highlight numerous opportunities for providers to serve small and mid-sized companies cost effectively. None are panaceas. Each has the potential for sacrificing quality to economy. Some, if used inappropriately, could even prove to be *more* costly than traditional service delivery strategies.

In deciding which service delivery strategies to pursue, providers should consider a number of things:

- ✔ Their own capabilities, or competitive advantage;
- ✔ Their access to needed equipment and materials;
- ✔ Their customers' key needs, or the characteristics of effective services most important to their customers; and
- ✔ Their customers' ability to access different types of services.

Providers should then look at this information in light of the benefits and costs of each strategy, in order to decide which approach, or mix of approaches, will best enable them to meet their customers' needs cost effectively.

Used with care and creativity, the five strategies presented in this note could help service providers open up whole new markets for themselves – small and mid-sized companies – markets thought by some to be the key to America's future economic prosperity.

– Terri Bergman

[1] For more information, see *Approaches to Forming a Learning Consortia*. Terri Bergman. Washington, DC: National Alliance of Business, 1995.

[2] For more information, see *Selecting and Implementing Computer-Based Training*. Terri Bergman and Brett Bixler. Washington, DC: National Alliance of Business, 1997.

[3] *Return-on-Investment and Multimedia Training*. Brandon Hall. San Francisco: Multimedia Training Newsletter and Macromedia, Inc., 1995.

[4] Ibid.

The National Workforce Assistance Collaborative *builds the capacity of the service providers working with small and mid-sized companies in order to help businesses adopt high-performance work practices, become more competitive, and ultimately advance the well-being of their employees. The Collaborative was created with a cooperative agreement grant from the* ***Department of Labor*** *to the* ***National Alliance of Business****. Current partners on the project include the Council for Adult and Experiential Learning, the Institute for the Study of Adult Literacy at The Pennsylvania State University, the Maryland Center for Quality and Productivity, and the National Labor-Management Association. The Collaborative provides assistance in four areas: employee training, labor-management relations, work restructuring, and workplace literacy. Collaborative publications can be obtained from the National Alliance of Business Distribution, P.O. Box 501, Annapolis Junction, MD 20702, phone 800/787-7788, fax 301/206-9789, or e-mail info@nab.com. They can also be downloaded from the Collaborative's gopher server (info.psu.edu – open "Information Servers at Penn State," and "Research Centers and Institutes") or world wide web home page (http://www.psu.edu/institutes/nwac). For more information on the Collaborative, contact the National Alliance of Business, phone 800/787-2848, fax 202/289-2875, or e-mail info@nab.com.*

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